SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1945

No. [redacted] 90

NATIONAL LEAD COMPANY AND TITAN COMPANY, INC.,

Appellants,

vs.

THE UNITED STATES OF AMERICA

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK

STATEMENT AS TO JURISDICTION

BETHUEL M. WEBSTER,
CLIFTON P. WILLIAMSON,
Counsel for Appellants.

INDEX

Subject Index

Table of Cases Cited

STATUTES CITED

DISTRICT COURT OF THE UNITED STATE, FOR THE SOUHTERN DISTRICT OF NEW YORK

Civil No. 26-258

UNITED STATES OF AMERICA,

Plaintiff,

against

NATIONAL LEAD COMPANY, TITAN COMPANY, INC., E. I. DU PONT DE NEMOURS AND COMPANY, INC.,

Defendants

STATEMENT AS TO JURISDICTION

In compliance with Rule 12 of the Rules of the Supreme Court of the United States, as amended, the defendants National Lead Company and Titan Company, Inc. submit herewith their statement particularly disclosing the basis upon which the Supreme Court has jurisdiction on appeal to review the judgment of the District Court entered in this cause on October 11, 1945. A petition for appeal was filed on December 10, 1945, and is presented to the District Court herewith.

Jurisdiction

The jurisdiction of the Supreme Court to review by direct appeal the judgment entered in this cause is con-

ferred by Section 2 of the Expediting Act of February 11, 1903, as amended (32 Stat. 823; 36 Stat. 1167; 15 U. S. C. 29), and Section 238 of the Judicial Code, as amended (36 Stat. 1157; 38 Stat. 804; 43 Stat. 938; 28 U. S. C. 345).

The following decisions sustain the jurisdiction of the Supreme Court to review the judgment in this cause on direct appeal: *Hartford Empire Company et al.* v. *United States*, 323 U. S. 386 (1945); *United States* v. *Crescent Amusement Company et al.*, 323 U. S. 173 (1944); *United States* v. *Bausch & Lomb Optical Company et al.*, 321 U. S. 707 (1944); *United States* v. *Univis Lens Company, Inc. et al.*, 316 U. S. 241 (1942); *Ethyl Gasoline Corporation et al.* v. *United States*, 309 U. S. 436 (1940).

Statutes Involved

The Sherman Act of July 2, 1890, 26 Stat. 209, as amended (15 U. S. C. 1 and 2) provides:

> "§ 1. Trusts, etc., in restraint of trade illegal; exception of resale price agreements; penalty
>
> "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal: *Provided*, That nothing contained in sections 1-7 of this title shall render illegal, contracts or agreements prescribing minimum prices for the resale of a commodity which bears, or the label or container of which bears, the trade mark, brand, or name of the producer or distributor of such commodity and which is in free and open competition with commodities of the same general class produced or distributed by others, when contracts or agreements of that description are lawful as applied to intrastate transactions, under any statute, law, or public policy now or hereafter in effect in any State, Territory, or the District of Columbia in which

such resale is to be made, or to which the commodity is to be transported for such resale, and the making of such contracts or agreements shall not be an unfair method of competition under section 45, as amended and supplemented, of this title: *Provided further*, That the preceding proviso shall not make lawful any contract or agreement, providing for the establishment or maintenance of minimum resale prices on any commodity herein involved, between manufacturers, or between producers, or between wholesalers, or between brokers, or between factors, or between retailers, or between persons, firms, or "corporations in competition with each other. Every person, who shall make any contract or engage in any combination or conspiracy declared by sections 1-7 of this title to be illegal shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding $5,000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. July 2, 1890, c. 647, § 1, 26 Stat. 209; Aug. 17, 1937, c. 690, Title VIII, 50 Stat. 693.

"§ 2. Monopolizing trade a misdemeanor; penalty

"Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding $5,000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. July 2, 1890, c. 647, § 2, 26 Stat. 209."

The Issues and the Ruling Below

On June 24, 1944, the United States filed its complaint charging National Lead Company, Titan Company, Inc. and E. I. du Pont de Nemours and Company with violations of Sections 1 and 2 of the Sherman Act and praying that

such violations be enjoined and for certain other relief.

The facts may be summarized as follows:

The defendants National Lead Company (hereinafter designated as NL) and E. I. du Pont de Nemours and Company, Inc. (hereinafter designated as DP) are manufacturers and producers of titanium pigments in the United States; and Titan Company, Inc. (hereinafter designated as Tinc), which is wholly owned by NL, is in turn the owner of usbstantial stock interests in certain foreign companies.

Titanium is an element contained in ilmenite and other minerals. In and before 1920 there was no substantial trade or commerce in, and no commercial manufacture of, titanium pigments for use in paint, paper, rubber or other products; pigments used for such purposes were lithopone, white lead and zinc oxide. In 1920 the Titanium Pigment Company (predecessor in interest of NL) and Titan A/S (a Norwegian company, predecessor in interest of Tinc) made an agreement whereby the American company was exclusively licensed under the Norwegian owned patents for North America, with the right to grant sublicenses, and the Norwegian company was similarly licensed under the American owned patents outside North America. The parties agreed to make available to each other copies of patent applications and the validity of patents was not to be questioned. Each party appointed the other as its sole agent for the other's territory within the licensed field (which was defined in the agreement) and each party agreed to impart to the other full technological information relating to the licensed field. Licensees and sublicensees were required to agree to the terms of this 1920 agreement. On the basis of this agreement, and utilizing the Norwegian as well as its own United States patents, Titanium Pigment (then and thereafter financed and in 1936 fully acquired

by NL) undertook a program for the development and promotion of titanium pigments as an economical and otherwise desirable substitute for the pigments then on the market.

By 1933 DP had obtained rights under the Blumenfeld patents (hereinafter more fully described) which disclosed processes having certain substantial advantages in respect of manufacture of pure titanium dioxide. After a period of negotiation, and in view of genuine fear of prolonged, costly, and wasteful patent controversy, DP and NL exchanged licenses.

American Zirconium Company entered the field in 1935 with a license from both DP and NL. In 1937 Virginia Chemical Company entered the business with a license from DP but not from NL.

Meanwhile the Norwegian company attempted to exploit its position in Europe. Little was accomplished, however, until 1927 when National Lead purchased 87% of Titan A/S which at that time was heavily indebted to certain Norwegian banks. Shortly before this purchase I. G. Farbenindustrie, a German company, was endeavoring to purchase the Norwegian company. After NL's purchase an agreement was made between the Norwegian company and I. G. Farbenindustrie to form a new German company, Titangesellschaft, which was to have the exclusive license of the parties' patents for Germany and certain other territory. A similar procedure was followed later in forming a British company and, with certain modifications, a Canadian company. A Japanese company was formed under different circumstances but incorporating the same general principles.

As each new company was formed contracts were entered into similar in most respects to the original contract between Titanium Pigment Company and Titan A/S.

Meanwhile Joseph Blumenfeld, a chemist and managing director of Societe du Produits de Chemiques des Terres Rares, a French company in which he owned stock, had obtained certain patents relating to the manufacture of titanium compounds which he had assigned to Terres Rares. Between 1922 and 1933 Terres Rares granted exclusive licenses to a French Company for France, an Italian company for Italy, a Czechslovakian company for Czechslovakia and Central Europe, and to Laporte for the British Empire. Terres Rares sold its United States titanium patents to Commercial Pigments Company (predecessor in interest of DP).

Agreements were made between the Blumenfeld licensees and the TINC companies in Europe of a strictly commercial nature, dealing with prices, production, etc. There was no patent or technological exchange.

The Government contended—

a) that all the contracts to which National Lead Company or Titan Company, Inc. were parties were unlawful and that their performance should be enjoined;

b) that the defendants had combined and conspired to restrain foreign and domestic trade and commerce with the United States in titanium compounds in violation of Section 1 of the Sherman Act;

c) that the defendants had combined and conspired to monopolize trade and commerce in titanium compounds among the several states of the United States and with foreign nations in violation of Section 2 of the Sherman Act;

d) that the Court should perpetually enjoin the defendants and their representatives from combining and

conspiring or agreeing to restrain and monopolize trade and commerce among the several states of the United States or with foreign nations with respect to titanium compounds and that they be perpetually enjoined from engaging in or participating in practices, contracts, relationships, or understandings having the purpose or effect of continuing, reviving, or renewing any violation of the Sherman Act;

e) that the Court should order the defendants to grant upon request of any third person a royalty free license to make, use or sell any invention or inventions which defendants have used in carrying out the alleged illegal agreements and to furnish such third person all technical information appropriate to practice said invention.

On July 5, 1945, after a full hearing, the District Court rendered its opinion, and, on October 2, 1945, it entered its findings of fact and conclusions of law. It held that the defendants had violated Section 1 of the Sherman Act and that the Government was entitled to a decree which would restore titanium to the system of free competition and destroy the means of preventing such competition.

Accordingly, the District Court by its final decree—

1. Adjudged the agreements to be unlawful under Section 1 of the Sherman Act, canceled said agreements and enjoined the defendants and any person acting or claiming to act through or for them from the further performance of any of the provisions of said agreements.

2. Enjoined the defendants from (a) entering into, adhering to, or claiming any rights under any contract, agreement, undertaking, plan or program among themselves, the co-conspirators or with any other person, partnership or

corporation which has as its purpose a renewing of any of said agreements; (b) from entering into, adhering to, maintaining or furthering, directly or indirectly, any contract, agreement, undertaking, plan or program with any other producer or dealer relating to titanium pigments which has as its purpose or effect (i) to divide sales or manufacturing performance, (ii) to allocate markets, (iii) to limit or prevent United States imports or exports; (iv) to grant any third party any market as its exclusive territory; (v) to keep any third party out of any market; (c) from restricting any purchaser of titanium pigments in the use thereof.

3. Ordered the defendants to grant to any applicant a non-exclusive license on a uniform reasonable royalty basis under any existing United States patent and patent application owned by them and under all United States patents issued to them within a period of five years from the date of the Final Decree and also for a period of five years under any patent under which they became exclusive licensees with the right to grant sublicenses.

4. Ordered the defendants at their option or at the option of the licensee to impart in writing, at a reasonable charge, the methods and processes used by the licensor at the date of the license in its commercial practice and under the license patents in connection with the production of titanium pigments.

5. Ordered the defendants National Lead Company and Titan Company, Inc. to present within one year from the date of the Final Decree to the court for its approval a plan for divesting themselves of their stock holdings and financial interests, direct or indirect, in certain foreign companies, or of the purchase of the entire stock holdings of

other financial interests in said company. The plan is to provide for its completion within two years from the date of the Final Decree.

6. Enjoined the defendants from bringing or threatening to bring any action against any person or corporation for the infringement prior to the date of the Final Decree of any patent as defined in the Final Decree.

The Questions Are Substantial

We believe that the District Court erred in holding that the agreements were illegal under Section 1 of the Sherman Act. Exclusive, restricted licenses have been upheld by this Court in *Bement* v. *National Harrow Company*, 186 U. S. 70, 94. Cross-license agreements defining a "licensed field", containing provisions for the license of future patents, and fixing the terms under which licenses and sub-licenses were to be granted have been approved in *Standard Oil Company (Indiana) et al.* v. *United States*, 33 F. (2d) 617, 626 (N. D. Ill.), rev'd 283 U. S. 163. Exclusive agency: *Schnerb et al.* v. *Caterpillar Tractor Co.*, 43 F. (2d) 920, 921 (C. C. A. 2d), cert. denied 282 U. S. 898; *Baran* v. *Goodyear Tire & Rubber Co. et al.*, 256 Fed. 571, 572 (S. D. N. Y.). Exchange of information: *Maple Flooring Manufacturers Assn. et al.* v. *United States*, 268 U. S. 563. Allocation of territory: *Phillips* v. *Iola Portland Cement Co.*, 125 Fed. 593, 595 (C. C. A. 8th), cert. denied 192 U. S. 606; *Kentucky Natural Gas Corporation* v. *Indiana Gas & Chemical Corporation et al.*, 118 F. (2d) 831, 834 (C. C. A. 7th); *Thoms* v. *Sutherland et al.*, 52 F. (2d) 592, 596 (C. C. A. 3rd). The agreements were a reasonable exercise of patent rights and therefore do not violate the Sherman Act even though they contain provisions for the exchange of technical information (*Appalachian Coals, Inc.* v. *United States*, 288 U. S. 344,

374; *Bee Mach. Company, Inc.* v. *Freeman,* 131 F. (2d) 190 (C. C. A. 1), aff'd 319 U. S. 448, rehearing denied 320 U. S. 809); territorial restrictions (*Becton, Dickinson & Company* v. *Eisele & Company,* 86 F. (2d) 267 (C. C. A. 6), cert. den. 300 U. S. 667), and provisions for exclusive sales agencies (*Virtue* v. *Creamery Package, etc.,* 227 U. S. 8, 32). The purpose and effect of the agreements were "to promote the progress of science and useful arts" and to stimulate commercial development of the inventions licensed. Const., Art. I, sec. 8; see also *Motion Picture Patents Company* v. *Universal Film, etc.,* 243 U. S. 502, 511.

The Court was without jurisdiction to consider the conduct abroad of foreign corporations relating to commerce of foreign nations, and therefore could not invalidate certain of the contracts which have been canceled and declared illegal, even though an American company was a party to said contracts. *American Banana Company* v. *United Fruit Company,* 213 U. S. 347. The facts and issues in this case can be clearly distinguished from those in *United States* v. *Sisal Sales Corporation,* 274 U. S. 268. The issues have become moot by the intervention of war in Germany, Japan and Italy, at least to the extent that agreements with nationals of these countries are concerned, and the complaint should have been dismissed as to those contracts. *United States* v. *Hamburg-Amerikanische Packetfahrt A. G.,* 239 U. S. 466 (1916). As to the British and Canadian agreements the issues have become moot because new agreements were presented to the Court omitting any territorial restrictions or exclusive licenses. *Standard Oil Company* v. *United States,* 283 U. S. 163; *United States* v. *United States Steel Corporation,* 251 U. S. 417.

In any event the issues in this case are of substance and call for review by the Supreme Court.

A copy of the opinion in the District Court dated October 11, 1945, is appended hereto.*

Dated, December 10, 1945.

BETHUEL M. WEBSTER,
15 Broad Street,
New York 5, N. Y.;
CLIFTON P. WILLIAMSON,
120 Broadway,
New York 5, N. Y.;
Counsel for National Lead Company and Titan Company, Inc.

*(Clerk's Note. The opinion, findings of fact, conclusions of law and final decree are printed as appendices to the Jurisdictional Statement in No. 1030 and are not reprinted here.)